

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

COME-00 EB-07 LAB-04 SIL-01 TRSE-00 OMB-01 /072 W

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R 301816Z JUL 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4142

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

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AMCONSUL EDINBURGH

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E.O. 11652: N/A

TAGS: PINT, UK

SUBJ: POLITICAL MANEUVERING ON PUBLIC EXPENDITURE CUTS

REF: LONDON 11734

1. SUMMARY: GOVERNMENT PULLED OFF STRATEGIC MASTERSTROKE JULY 29 BY FORCING OPPOSITION TO UTILIZE SUPPLY DAY AUGUST 2 FOR DISCUSSION OF GOVERNMENT PROPOSALS ON CUTTING PUBLIC EXPENDITURES. CONSERVATIVES ARE NOW FORCED TO DRAFT THE MOTION WHICH PERMITS GOVERNMENT TO UNIFY LABOR BACKBENCHERS BEHIND IT. CONSERVATIVES ARE TRYING TO DEVELOP A FORMULA WHICH WILL EXPOSE DIVISIONS WITHIN LABOR PARTY, BUT GOVERNMENT WILL LIKELY CARRY VOTE ALONG PATTERN OF RECENT NATIONALIZATION VOTE (SEE SEPTTEL).

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2. DURING PAST WEEK LABOR LEFT WING AND SOME TRADE

UNIONISTS HAVE CONTINUED TO VOICE OPPOSITION TO CUTS IN PUBLIC EXPENDITURE. 78 LABOR MPS SIGNED A MOTION CRITICIZING CUTS JULY 29. TUC GAVE GOVERNMENT CUTS QUALIFIED SUPPORT IN STATEMENT JULY 28 ON OCCASION OF ANNOUNCED AGREEMENT BETWEEN TUC AND LABOR GOVERNMENT ON "NEW SOCIAL CONTRACT" (SEE SEPTEL). PARTY EXECUTIVE COMMITTEE ALSO ANNOUNCED SUPPORT THAT DAY FOR PROPOSED CUTS, WITH CONVENIENT ABSENCE OF TONY BENN. END SUMMARY.

3. GOVERNMENT INFORMED OPPOSITION THROUGH "NORMAL CHANNELS" JULY 29 THAT IT WAS NOT PREPARED TO DEDICATE GOVERNMENT TIME IN PARLIAMENTARY SCHEDULE TO DEBATE PROPOSALS ON PUBLIC EXPENDITURE CUTS. SINCE CONSERVATIVES HAD BEEN ASKING FOR DEBATE, GOVERNMENT LET THEM TAKE INITIATIVE IN FORMULATION OF MOTION FOR DISCUSSION OF PUBLIC EXPENDITURE. CONSERVATIVES WILL USE CONSERVATIVE SUPPLY DAY, AUGUST 2, FOR ONE-DAY DISCUSSION AND DEBATE ON PUBLIC EXPENDITURES.

4. THIS MANEUVER WAS A MASTERSTROKE OF GOVERNMENT STRATEGY SINCE PRIME MINISTER AND CHANCELLOR ESCAPE THE PERIL OF POSSIBLE DEFECTIONS ON THE LABOR BACK BENCHES ON A GOVERNMENT-SPONSORED MOTION. LABOR LEFT-WING WILL LIKELY BE MORE EASILY UNIFIED IN DEFENDING AGAINST A CONSERVATIVE MOTION THAN HAD GOVERNMENT TAKEN INITIATIVE IN DRAFTING MOTION LANGUAGE. IT SHOULD BE NOTED THAT GOVERNMENT IS NOT REQUIRED TO SEEK ENDORSEMENT OF EXPENDITURE CUTS; ONLY THE REVENUE RAISING PORTION OF THE CHANCELLOR'S PACKAGE WILL REQUIRE PARLIAMENTARY ACTION.

5. CONSERVATIVE OPPOSITION WILL HAVE DIFFICULTY IN FORMULATING A MOTION WHICH WILL ENCOURAGE LABOR LEFT-WINGERS EITHER TO ABSTAIN OR TO OPPOSE THE GOVERNMENT. EXACT LANGUAGE CONSERVATIVES WILL PROPOSE WHICH WILL DETERMINE SHAPE OF DEBATE ON AUGUST 2 WILL PROBABLY NOT BE KNOWN UNTIL MONDAY.

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6. THIS DEVELOPMENT OCCURRED TOWARD THE END OF A WEEK IN PARLIAMENT AND OUTSIDE WHICH HAD BEEN DOMINATED BY DISCUSSION OF PUBLIC EXPENDITURE CUTS. 78 LABOR MPS SIGNED A MOTION CRITICIZING CUTS JULY 29. SCOTTISH LABOR PARTY (JIM SILLARS) ANNOUNCED IN GLASGOW JULY 28 THAT IT WOULD VOTE AGAINST GOVERNMENT ON PROPOSED CUTS. (SILLARS LATER TOLD EMBOFF HE AND HIS SLP COLLEAGUE WOULD OPPOSE GOVERNMENT EVEN ON A VOTE OF CONFIDENCE OVER EXPENDITURE CUTS.)

7. TRADE UNIONISTS HAVE IN SOME CASES AS INDIVIDUALS OPPOSED CUTS IN PUBLIC EXPENDITURE ALTHOUGH ANNOUNCEMENT LIMITED OFFICIAL USE

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OF NEW SOCIAL CONTRACT (JULY 28) OFFERED OPPORTUNITY FOR PRIME MINISTER AND TUC GENERAL SECRETARY TO BE SEEN IN CONTEXT OF PARTNERSHIP (SEE SEPTTEL). ALTHOUGH FORMULATION OF NEW SOCIAL CONTRACT WAS REQUIRED AS A RESULT OF TUC ACCEPTANCE OF GOVERNMENT LIMITATION OF WAGE INCREASE, SECOND PHASE, NEW DOCUMENT WILL BE SUBJECT OF DISCUSSION AND APPROVAL AT BOTH TUC AND LABOR PARTY ANNUAL CONFERENCE

8. NATIONAL EXECUTIVE COMMITTEE OF LABOR PARTY MET JULY 28 AND APPROVED CHANCELLOR'S PROPOSED CUTS. HOWEVER, ANTI-CUT FACTION AT THAT MEETING ISSUED PUBLIC STATEMENT

CRITICAL OF EXPENDITURE CUTS AFTER MEETING. ENERGY SECRETARY TONY BENN,WHO REPORTEDLY IS STRONGLY OPPOSED TO CUTS IN PUBLIC EXPENDITURE, WAS CONVENIENTLY ABSENT FROM MEETING AND AS YET HAS NOT BEEN REPRIMANDED OR PUBLICLY CHASTISED FOR LACK OF SUPPORT OF GOVERNMENT POLICIES.

9. COMMENT: WE EXPECT THAT GOVERNMENT WILL BE ABLE TO CARRY IN PARLIAMENT AUGUST 2 WITH SLIM MAJORITY, AND THIS WILL LIKELY BE INTERPRETED BY PRIME MINISTER AND CHANCELLOR AS PARLIAMENTARY ENDORSEMENT OF PROPOSED CUTS. CONSERVATIVES SUCCEEDED JULY 29 IN MUSTERING FULL TROOP STRENGTH AND THEY EXPECT SUPPORT BY MOST OF THE NATIONALIST PARTIES. CRITICAL QUESTIONS ARE POSITION OF LIBERALS AND POSSIBLE ABSENCES OR ABSTENTIONS FROM LABOR LEFT WING.

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